

Message Text

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PAGE 01 TANANA 02041 171231Z
ACTION AF-08

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-01
INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 OES-06
SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01
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LIMITED OFFICIAL USE TANANARIVE 2041

E.O. 11652:N/A
TAGS: EINV, ENRG, MA
SUBJECT: OIL COMPANY NATIONALIZATIONS: ESSO MEETING WITH GDRM
OFFICIALS

REF: TANANARIVE 1999

1. SUMMARY: ESSO AFRICA VP JOHN ROOT & HIS ATTORNEY JEAN
FOLLANA MET WITH GDRM MINISTERS ECONOMY & COMMERCE AND FINANCE
& PLAN DECM 15 & 16. MEETINGS SERVED ONLY TO OPEN LINES OF
COMMUNICATION. NEXT MEETINGS, HOPEFULLY MORE SUBSTANTIVE, SET
FOR FEB/MARCH 1977. END SUMMARY.

2. AS REPORTED EARLIER, GDRM ATTEMPTING TO SEPARATE ISSUE OF
COMPENSATION TO OIL COMPANIES FROM ISSUE OF FINES AGAINST OIL
COMPANIES. ESSO POSITION IS THAT, REALISTICALLY, ISSUES ARE
NOT SEPARATE & THAT IF THEIR FINE (APPROX. DOLS 7 MILLION)
NOT LOWERED APPRECIABLY, QUESTION OF COMPENSATION IS ACADEMIC.

3. MIN ECON & COMMERCE RARIVOSON, RESPONSIBLE FOR COMPENSATION
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ISSUE, TOLD ESSO OFFICIALS GDRM WOULD BE READY TO NEGOTIATE THIS
MATTER "BY MARCH" & THAT IN MEANTIME ESSO SHOULD COMMUNICATE
WITH HIM THROUGH RENE JEAN BAPTISTE, NEW SOLIMA DIRECTOR
GENERAL. RARIVOSON ASKED ESSO TO DESIGNATE A CONTACT IN
ESSO'S PARIS OFFICE IN CASE HE SHOULD WISH TO CONTACT ESSO.

4. MINISTER FINANCE & PLAN RAKOTOVAO-RAZAKABOANA BELIEVES SERIOUS DISCUSSIONS ON FINES ISSUE, FOR WHICH HE RESPONSIBLE, CAN BEGIN IN FEBRUARY. HE ASKED THAT ESSO USE EMBASSY TANANARIVE FOR COMMUNICATIONS WITH HIM. ESSO PLANS BY MID JANUARY TO PROPOSE FEBRUARY DATE FOR DISCUSSION OF FINES. ESSO REMINDED MINISTER THAT ITS POSITION SINCE LATE 1974 HAS BEEN THAT IT NOT RESPONSIBLE FOR ALLEGED EXCHANGE CONTROL VIOLATIONS. (NOTE: FINES FOR VIOLATIONS ONLY SET AT TIME OF NATIONALIZATION IN JUNE 1976.) WHEN MINISTER NOTED THAT FINES ISSUE COULD BE SETTLED EITHER BY COMPROMISE OR BY A COURT CASE, ESSO REPLIED THAT THIS WAS A CHOICE THE GDRM SHOULD MAKE. ESSO BELIEVES IT SHOULD NOT BE FINED AND THEREFORE IS WAITING FOR THE GDRM TO MAKE A NEW PROPOSAL.

5. COMMENT: COMMUNICATIONS HAVE AT LAST BEEN OPENED BETWEEN ESSO & GDRM ON THIS MATTER. IT REMAINS TO BE SEEN WHETHER GDRM WILL NEGOTIATION SERIOUSLY IN FEB/MARCH, OR WHETHER THOSE DISCUSSIONS WILL SIMPLY LEAD TO ANOTHER DELAY OF SOME MONTHS BEFORE FURTHER INCONCLUSIVE MEETINGS. ESSO IS FULLY AWARE OF THIS POSSIBILITY BUT REALIZES THAT FOR THE MOMENT IT HAS NO ALTERNATIVE TO ATTEMPTING NEGOTIATE ON GDRM'S SCHEDULE.

6. DECISIONS AFFECTING THE OIL COMPANIES WILL REALLY BE MADE BY RATSIRAKA AND THE SUPREME REVOLUTIONARY COUNCIL, NOT BY THE MINISTERS. WE BELIEVE THAT IT MAY BE IN ESSO'S INTERESTS TO BE PATIENT BECAUSE OF THE RECENT SLIGHT IMPROVEMENT IN THE GDRM'S ATTITUDE TOWARD THE WEST. ALTHOUGH PROTRACTED NEGOTIATIONS COULD SIMPLY BE LONG-TERM STALLING, THERE IS A CHANCE THAT GDRM DECISIONS WILL BE BASED MORE AND MORE ON ECONOMIC GROUNDS THAN ON POLITICAL LIMITED OFFICIAL USE

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